



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0498	Title:	Establish laws governing carbon sequestration
Primary Sponsor:	Bales, Keith	Status:	As Introduced-Revised

- | | | |
|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$20,810	\$20,810	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 498 gives the Board of Oil and Gas Conservation (BOGC) authority to promulgate rules and create a new regulatory program to manage and monitor underground injection of carbon dioxide. Contracted services will be used to develop rules and coordinate with the federal primacy application in the 2011 biennium. Once the program is established, staff will be necessary to operate it. SB 498 also creates a state special revenue account with permit fees, interest earnings and bond forfeitures deposited there to support the program.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources & Conservation (DNRC)

1. Rule development will follow adoption of federal rules that allow states to apply for primacy over carbon sequestration.
2. During the 2011 biennium, rules will be developed but no program operated.
3. No costs are estimated in 2013 biennium. It is assumed the federal primacy application will be submitted but not approved until the 2015 biennium
4. No permit fees, interest earnings, or bond forfeitures will be received for the program in the 2011 biennium.

5. The BOGC will use funds from its regulatory account to fund 2011 biennium start-up costs. The BOGC regulatory account is funded from taxes on oil and gas production.
6. The BOGC will hire a contractor for rule development. The estimated cost is \$41,620, which includes indirect costs of \$1,620. Contractor duties will include research, stakeholder meetings, and development through finalization of administrative rules.
7. A biennial appropriation will be requested to allow flexibility in the timing of rule development and implementation, including seeking of primacy.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Operating Expenses	\$20,810	\$20,810	\$0	\$0
TOTAL Expenditures	<u>\$20,810</u>	<u>\$20,810</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$20,810	\$20,810	\$0	\$0
TOTAL Funding of Exp.	<u>\$20,810</u>	<u>\$20,810</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$20,810)	(\$20,810)	\$0	\$0

Long-Term Impacts:

1. If primacy is granted under the Environmental Protection Agency (EPA) program, the BOGC anticipates operating a program in FY 2014 or 2015.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date



Dedication of Revenue 2011 Biennium

17-1-507-509, MCA.

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Yes. Carbon is a global problem. Benefits of any reduction in carbon emissions accrue globally.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

Using a dedicated revenue state special revenue makes the fees and expenses easier to monitor and allows for the fund to be invested and the interest retained.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

The bill allows the BOGC to establish the permit fee level, not to exceed \$5,000 per permit. It is unknown now what the fee will be and how many permits will be received. This question is unable to be answered at this time.

The source of revenue to support start-up costs is not from the dedicated revenue source. It is from the BOGC's regulatory account, which receives funding from taxes on oil and gas production.

- d) Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)**

Once the program is operational, the regulated community's permit fees will be used to support the program activity.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes. If carbon sequestration is allowed in Montana, there will be additional expenses to the state and the dedicated revenue would be designed to fully cover those expenses.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

An additional state special revenue fund will not materially impact accounting/auditing efficiencies or inefficiencies.

Program activity could easily be accounted for if the program were general fund supported.